

receiving this offer from a vendor it allowed us to become aware of other alternatives for our network. The RFP and negotiation process enhances this type of competitive analysis.

4. After we receive the responses from an IXC on the RFP, we can do an analysis to determine what each competitor has offered on pricing. Next we evaluate the responses for additional value and repair responsiveness. We also look at their billing methods and format. The ease of administrative interface with a vendor is an important area as related to information processing and technology. All of these items are negotiable and we can request counter offers if any of them are not satisfactory.

5. Following is another example of how we can negotiate better rates with the IXC's. Today we use dedicated trunks to send outgoing long distance traffic directly to the IXC. This allows us to bypass the local exchange carrier and receive a better rate from the IXC. We are currently working on a plan to use our dedicated trunks for incoming long distance traffic and again bypass the LEC. The IXC will give us a 40% discount on the local loop portion of these trunks. They are able to do this because they do not have to pay the LEC to carry the traffic. (The LEC also does not add any value to traffic offered to Vanguard.)

6. The negotiations with the LEC are very limited. Our account manager will typically make us aware of any contractual discounts that are being offered. In some cases we get most favored nation. However, these are almost impossible to verify because we do not see other companies' contracts. We can then either agree to the terms offered to receive the discount or not. We have never been able to negotiate a counter offer for greater savings. It is also unlikely that we can change any of the specified criteria to better fit our

needs or our customers needs. When we do request discounts, we are told that the tariff offerings are all that are available.

### Pricing

7. The IXC's being considered for service will offer an initial price on their RFP response. This price can be negotiated up to the point where either party accepts or rejects it. We can negotiate additional discounts with the IXC when our volume exceeds our initial commitment. The IXC can also file for special tariffs customized to our company.

8. The LEC states that its pricing is based on the cost. However, they will not make cost studies available to us. Because the LEC is a monopoly, they are regulated by tariffs. They cannot file for special tariffs based on a particular customer profile. Today, we receive price discounts from the LEC based on term commitments. We all recognize that there are economies of scale that should lower pricing based on volume. The LECs do not adhere to this fundamental concept.

### Service

9. Service is a major concern for our company. We look closely at the IXC record for downtime and repair time when we look at the overall package. The reliability of the network can override pricing. Their service record is a critical factor in our carrier of choice.

10. We are just as concerned about our service with the LEC. However, we are limited in our choices if the LEC in our market has poor service. We do work with some LEC's that offer poor service today. Our options in these situations are to install redundant circuits or use our microwave network to backup the LEC circuits. Both of these options increase our network cost.

11. Another issue with service is the account team we are assigned. With the IXC, we have negotiating power due to the competition that exists. We have the opportunity to request a dedicated account team to work on our account. At the LEC level, our account team is initially at the discretion of the LEC. If we experience poor support from our Account Manager we can complain to their management. This does not ensure that our account team will be changed. We do not have the same negotiating power with the LEC, because we do not have the option of taking our business elsewhere.

12. When an outage to service does occur, it is very important to us how expediently the IXC or LEC conduct repairs. The IXC has more incentive to expediently repair service that the LEC has, due to the competitive nature of their business. As a cellular carrier we have the same pressures to have reliable service, since we will lose customers based on this issue. The LEC however does not have to worry about losing customers due to service outages, since currently there is no competition. In 1995, out of all telco related outages, 5% were due to IXC problems and 95% were due to the LEC.

### Billing

13. The IXC can provide our billing in various formats. We can obtain it on paper, CD-ROM, or download it via a direct connection. We find the CD-Rom billing very useful because we conduct analysis on the traffic. The CD-Rom bill gives us detailed call information in a manageable format. If we were to receive this type of bill in paper format, it would come in at least four (4) large Boxes. It would also be impossible to analyze.

14. I have requested the CD-Rom billing format from the LECs. Only one has been able to provide the service, Nynex. Still, they only provide it for their type 2 circuits, but not our other services. We have been unable to get this billing format from any other

LEC. The IXC's are much quicker to develop these types of services because of the competitive environment in which they operate

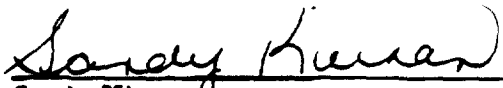
### Summary

15. In summary, we have very little leverage in working with the LEC's compared the IXC's. By having and exercising this leverage with the IXC's, we have been able to substantially reduce our overall cost, while significantly improving our service levels.

### The Problems With Multi-State Jurisdiction

16. If each state had different interconnection compensation rules, it would be a billing nightmare to try to recoup compensation differently from each LEC. It may be impossible to do so in a multi-state market like the Huntington-Ashland, WV/KY/OH MSA. We would have to spend a lot of time, expense and expertise to establish billing for just one method of reciprocal compensation. Furthermore, Vanguard would need a new department just to administer this type of billing on an ongoing basis.

I declare, under penalty of perjury, that the foregoing is true and accurate to the best of my knowledge. Executed this 1 day of March, 1996, at Greensboro, N.C.

  
Sandy Kiernan  
Carrier Relations Manager  
Vanguard Cellular Systems, Inc.

## CERTIFICATE OF SERVICE

I, Tammi A. Foxwell, a secretary at the law firm of Dow, Lohnes & Albertson, do hereby certify that on this 16th day of May, 1996, I caused copies of the foregoing "Comments of Vanguard Cellular Systems, Inc." to be served via hand-delivery, to the following:

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Chairman  
Federal Communications Commission  
1919 M Street, NW, Room 814  
Washington, DC 20554

The Honorable James H. Quello  
Commissioner  
Federal Communications Commission  
1919 M Street, NW, Room 802  
Washington, DC 20554

The Honorable Susan Ness  
Commissioner  
Federal Communications Commission  
1919 M Street, NW, Room 832  
Washington, DC 20554


The Honorable Rachelle B. Chong  
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